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Industrial Horizons



MONTANA / FRONTIER OF INDUSTRIAL OPPORTUNITY

Vol. 2—No. 5. May, 1957

News Publication — Montana State Planning Board

INDIAN RESERVATIONS HAVE GREAT INDUSTRIAL POTENTIAL

Montana has a few areas of chronic unemployment—depressed areas. And most of these are in the state's 7 Indian reservations. There, citizens of Montana live on the lowest economic level. Many are unable to find gainful employment.

Many Montanans are concerned about this Indian "problem." Montana State University and Northern Montana College regularly hold institutes, bringing experts together to discuss various aspects. Montana Academy of Sciences discussed the subject at their meeting last month. Montana's Congressional delegation is backing legislation in Washington by which loans can be made to industries employing Indians.

Relocation or Reservation?

However, the problem of economic employment for Indians is extremely complicated. An important question is, where should the industry be located?

Some experts have stated the only long-range solution is to integrate Indians into the rest of American society. They claim industries should not be located on reservations. Others say the immediate solution is to arrest poverty as soon as possible by providing jobs for Indians, no matter where the factory is located. And since many Indians wish to remain on reservations, it is felt industries should come to them. Probably both relocation and employment on reservations are important.

Skilled Labor Pool

Indians make excellent industrial workers, according to K. W. Bergan, State Coordinator of Indian Affairs. They learn quickly, are conscientious, and generally possess a high degree of manual dexterity. Vocational training is quite successful in Indian areas. There is thus an undeveloped labor pool of over 10,000 skilled workers in Montana.

Free Land for Industries

Indians themselves are interested in industrial development. Two tribes, the Flathead and Blackfeet, have buildings they are willing to lease to industries in St. Ignatius and Browning. The Blackfeet tribe recently inserted an ad in the Montana issue of COMMERCE AND INDUSTRY Magazine offering free land to any industry locating on the reservation. This offer is also made by tribal councils on Fort Peck, Flathead, Rocky Boy, and Northern Cheyenne reservations.

In addition to free land, Indian reservations in Montana have resource advantages for industry. Many have cheap power. Some have extensive coal deposits or are in natural gas fields. All have timber stands suitable for wood

products operations. In addition, an industrial plant on a reservation has certain tax-exempt privileges.

Factories Started

Several industries have been started over the country for employment of Indians. Navajo tribe in the Southwest appropriated \$300,000 of its own funds both in 1956 and 1957 to foster industry. This has resulted in location of three plants on their reservation: one to make juvenile furniture, one for garments, and one to assemble electronic components. First Americans, Inc., (see accompanying article) has started a diversified manufacturing operation at Lame Deer. Bulova Watch, in cooperation with the Department of Defense, established a jewel bearing plant at Rolla, N. D., in 1954.

These are all attempts to provide basic, worthwhile employment to Indians. The market for handicrafts and souvenirs is limited. If the Indians are to be aided economically, they must have jobs which contribute to the American economy. This is the way to make them responsible citizens.

Indians Make Tie Racks at Lame Deer

A lot of people are talking about helping Montana Indians. We have an example here in Montana of one man that really is doing something about it.

Henry M. Burgoyne, formerly an executive of General Motors in Detroit, came out to Montana a few years ago and was so taken with the plight of the Indians on the Northern Cheyenne reservation in southeastern Montana that he quit his position and moved his family to Montana to devote his energies to creating economic opportunities for Indians.

He has secured donations of machinery from Eastern businessmen, and subcontracts from several large manufacturers. First product being made is a necktie rack on a subcontract from a Detroit manufacturer. Backs are made from residues secured from a sawmill in Lame Deer. Wire for tie rests is shipped in, cut, and chrome-plated at the factory.

Profits Reinvested

A non-profit corporation, The First Americans, Inc., has been set up to administer the project. At present it is operating in a former school. Sixteen men are employed, but Burgoyne claims he

OTHER STATES PASS INDUSTRIAL PROMOTION LEGISLATION

Many state legislatures met this year. What did they do to promote industrial development?

North Dakota created a new State Economic Development Commission to attract industry and business, and appropriated \$125,000 to get the program under way.

A bill passed by the Kansas Senate would permit the formation of industrial districts as limited government corporations managed by representatives of industry and with power of eminent domain and taxation.

South Dakota passed a bill creating an Industrial Development Credit Corporation to provide industrial expansion risk capital unavailable through normal banking channels. Such a bill was defeated in the Montana Legislature.

Washington Legislature passed a bill to permit port districts to impose a 2-mill levy for six years to help finance comprehensive industrial development projects (it should be remembered that Washington depends on a sales tax for most of its revenue). Washington also set up a new Department of Commerce and Economic Development with an appropriation of \$1.5 million for the biennium to attract new industry and promote the state's tourist trade.

Bills signed into law in Minnesota would permit tax levies to raise \$10 million in property taxes for construction of a general cargo terminal at the port of Duluth in anticipation of opening of the St. Lawrence Seaway.

A bill aimed at attracting new industries by exempting from property taxes buildings and other commercial structures less than 60 per cent complete was passed by Oregon Senate.

Industrial promotion is a national enterprise. Competition among states is heavy.

has sufficient orders to employ 100 immediately, and 400 in the near future.

Burgoyne adds, "The interest the Indians are taking in this project is truly marvelous. They feel that this enterprise is their very own. It is their chance to prove that they can support themselves and are taking hold of this thing in a way that can almost be termed sensational. We feel that the nature of our work in training these Indians and adjusting them to working in industry is educational in a broader sense, and will help them should they choose to leave our shop and go to earn a living elsewhere."

PLEASURE BOATING—BASIS FOR MARKET-ORIENTED INDUSTRY

Any Saturday or Sunday, for that matter any day from now until the end of October, persons driving on Montana's highways will see numerous boats of all sizes being transported to and from the many lakes and reservoirs abounding in the state.

Chances are that many will be boats manufactured in Montana. This is because more and more boats are being made each year in the Treasure State in response to the demands of constantly increasing numbers of persons who are finding outdoor relaxation in boating and related water sports.

Chances are, too, that some of the "Montana-made" boats will be products of Gull Fiber-Plastic Products, Inc., of Missoula. Organized and operated by R. G. Anderson, this Missoula firm (which specializes in fiberglass reinforced plastics) has grown from an initial output of one boat every two weeks to a production of a boat per day (350 last year) in less than four years time.

Anderson, who formerly operated a sporting-goods store in Missoula, first started making boats in his home workshop because boats and boating had always been his hobby. He had also acquired a skill in the technology of plastics. No more than a "shoestring" operation at the beginning, demand soon exceeded his home workshop facilities, and a 60 x 150-foot building was rented and equipped at Fort Missoula. Four persons were employed and trained and output advanced to three boats per week.

Fire and Recovery

Then in February, 1956, disaster struck in the form of a fire which destroyed the building, all equipment, materials, and nearly fifty boats ready for sale in the 1956 boating season. Recovery, however, was rapid. By March 15, a new building had been constructed and occupied on a Northern Pacific industrial site west of Missoula. By mid-summer additional employees had been added and the present production capacity was achieved. Ten men, including Anderson, are now employed on a year-round two-shift basis.

The "shoestring" investment has grown to over \$100,000 by plowing back all earnings into expansion. And there seems to be good basis for continued expansion. There is a nationwide trend to outdoor and water recreation as a result of longer vacations, shorter working hours, and employment and income conditions which allow consumption expenditures on luxury type goods for an increasing number of people.

Trend to Outdoor Living

In fact, this trend, more than any other, accounts for the expansion of sales territory for Gull Boats from the Missoula area four years ago to a distribution pattern presently encompassing all of Montana, and parts of the Dakotas, Wyoming, Idaho, and Washington.

Other market areas are also coming into existence as new water-storage projects are constructed. Anderson and his asso-

ciates are looking to the eastern portion of the Missouri Basin where several new artificial water areas are now under construction. Thus, even the arid Great Plains states are potential markets for boats made in Montana.

In addition, the company may be able to diversify, because, as Anderson points out, "the fiberglass reinforced plastics industry is one of the fastest growing in the nation. In addition, it is a type of industry in which products can be made for local and regional markets by small firms which can grow with the industry."

Financing for Expansion

In discussing expansion and diversification potentials, though, Anderson points to financing as the major problem: "Even in the boat field, we can't expand fast enough just by reinvesting earnings. We are now turning down orders far in excess of our present capacity." He emphasizes further that "the company needs financing for additional building space and equipment. Despite good earnings records, **intermediate and long-term credit for these purposes is hard to come by**, though no difficulty has been encountered in securing short-term financing for raw materials and finished boat inventories." (See article elsewhere in this issue on "Financing Needs of Small Growth Industries.")

Factors which have been advantageous in the success of his business, according to Anderson, include:

Factors in Success

1. Boats are a growth industry, requiring relatively small initial investment for entry.
2. Lower transportation costs in serving local markets, as compared to more distant suppliers.
3. Workers readily learn the skills required and have a high level of productivity.
4. Availability of an improved industrial site on a long-term lease basis.
5. Reliable and effective sales outlets in the region.
6. Availability of short-term bank financing for raw materials and finished goods inventories.



(Highway Com. Photo)

New reservoirs behind dams are creating opportunities for boat manufacturers in Montana. Here a family takes advantage of a beautiful day to spin around Hutter Lake, at the entrance to the famous Gates of the Mountains of the Missouri River.

NEXT DECADE A GOLDEN ERA!

At the annual convention of the Association of State Planning and Development Agencies held in Louisville, Kentucky, May 8 through 11, Osborn Elliot, Senior Business Editor of NEWSWEEK MAGAZINE described the decade of 1960-70 as the "golden sixties." In amplifying this description, he pointed to the new markets to develop with the maturing of World War II babies, the current trends in which desires are replacing needs in consumption habits, and the rapid strides being made by industry in technological progress. Other speakers, in talking about the changing national economy, also pointed to the vast opportunities of the future which will occur in all areas if the challenges of planning and development facing us now and in the future are met with foresight and imagination.

Perry Roys, of the State Planning Board, represented Montana at the convention, which had representatives from over 40 states and Canada in attendance.

Financing Needs of Growth Industries

Are small Montana firms with good earnings records and bright prospects for growth having difficulty in finding capital funds to carry out the expansion and diversification programs necessary to maintain and improve their competitive positions?

It is of course impossible to give an unqualified answer to this question. But evidence is mounting that difficulties are becoming more pronounced as a result of the nationwide "tight money" situation.

Everyone knows that industrial development requires investment, and that investment funds in the United States are highly institutionalized. That is, people's savings go into bank deposits, life insurance, trust funds, securities listed on national stock exchanges, and government savings bonds. With the exception of banks, though, few of these sources have capital available to small business, particularly the size of small businesses we have in Montana.

Bank Resources Limited

When a small businessman in Montana needs money, he typically thinks of banks, that is, bank loans of five to ten-year duration to carry out his expansion programs. But here he often is confronted with the proposition that banks have limited resources for these purposes. This is particularly true today since high demands exist for short-term, high-security type loans typically bearing higher interest rates than loans of longer duration for capital investment purposes.

Small Business Administration

Another source is the federal Small Business Administration which has, since its creation in 1953, approved 113 loans amounting to nearly \$5 million to Montana small business. Over three-fourths of these were loans in which a bank participated. SBA thus helps businesses to obtain secured loans at reasonable rates. Montana firms may well consult with their bankers about this type of loan. If bank participation is not available, SBA also makes direct loans to small firms. Inquiries should be directed to Small Business Administration, Federal Building, Helena.

Supplemental Sources Needed

Despite bank sources and the SBA, however, there are still many small businesses with growth potential, good earnings records, sound management and good ideas that are not able to secure funds for expansion.

To meet this need, other sources of funds have been established in many places throughout the nation. In most instances these supplemental sources are proving their worth as stimulants to industrial development. They thus merit consideration in Montana.

Groups of Private Individuals

In some parts of the country, private corporations have been formed by individuals to provide venture capital, even

Industrial Buildings Available

SIDNEY—Three concrete-block buildings, suitable for small factory or warehouse use. Natural gas, all utilities, near railroad siding. Contact Sidney Chamber of Commerce.

MANHATTAN—Frame-stucco building, 28'x72', built 1950. Suitable for small factory, warehouse or salesroom. Contact Lyle Williams, Three Forks.

LEWISTOWN—Former Milwaukee depot, built 1900 but in good condition; 12,000 square feet, on railroad siding, in midst of acre plot; 200'x250' parking lot in front, and 40'x400' lot on side. Former Milwaukee depot in Great Falls now occupied by paint factory. Contact Charles Lelek, Secretary, Lewistown Industrial Corporation.

FORSYTH—Brick 2-story building 40'x60', former grade school. Near two transcontinental railroads. In middle of 90,000 square foot plot. Suitable for small processing plant. Contact George Stagg, Secretary, Chamber of Commerce.

Other communities wishing to list buildings suitable for industrial uses may secure special forms from State Planning Board.

for relatively high-risk type activities such as oil exploration and mining activity.

Community Organizations

More common and of importance on a local basis are community industrial development corporations which have been organized in numerous communities throughout the nation. These corporations take the form of both profit and non-profit concerns. In many cases their main function is to provide funds for construction of industrial buildings, for equipment, or for working capital.

Of a similar nature, and often just as effective, are those types of corporations which provide buildings and industrial sites either for sale on a cost basis or as rental properties, thus reducing the capital requirements of new businesses locating in their communities. March, 1956, issue of **INDUSTRIAL HORIZONS** contains more detail on these corporations, and other more specific information is available from State Planning Board.

State-Chartered Credit Corporations

Of all methods, however, the most successful is the Business Development Credit Corporation (see February, 1957, **INDUSTRIAL HORIZONS**). These organizations originated in New England states, but now have spread to all sections of the country (including nearby South Dakota). They are state-chartered, and obtain funds from sale of capital stock and from loans made to the corporations by banking and other financial institutions. Credit corporations make loans to soundly-conceived and well-managed small businesses which are un-

PULP MILL IN FLATHEAD?

That industrial development is a long-range program, requiring patience, is amply demonstrated by the following item written on March 22, 1917, and reprinted in the **Kalispell DAILY INTER LAKE** on April 28, 1957. Effort to get a pulp mill in the Flathead Valley thus spans a period of at least 40 years.

"That something definite will be done towards the establishment of a pulp mill near Kalispell in the near future seems assured. A number of paper manufacturers have made inquiries of local forestry officials regarding possibilities for the successful operation of a mill in the Flathead region and two or three companies have sent men out to look over the field. G. Snow, representative of the Glacier Park Pulp Manufacturing Company of Minneapolis, was in Missoula some weeks ago, and spent two weeks here going over the pulp prospects from all sides. Mr. Snow has returned, and it seems certain that the company which he represents has definitely decided to extend its operations to the Flathead territory.

"H. E. Surface, a lumber expert, connected with the forest laboratory at Madison, Wis., came to Missoula in connection, it is supposed, with the coming of Snow. Mr. Surface will study the pulp situation in Montana in general and in the Flathead region especially, from the manufacturing and scientific viewpoints.

"It is thought that if the Glacier Park company decides to construct a plant, it will be built somewhere on the shore of Flathead Lake, as the most promising pulp chance in Western Montana is on the Flathead forest, and it is known that several other manufacturers are considering establishing mills in this vicinity."

able to obtain them from traditional sources. Their primary purpose is to attract new industries and to help existing local firms expand.

A law providing for the establishment of this type of corporation in Montana was introduced in the last legislative session, but was killed in Senate committee after having passed the House of Representatives without opposition. If such a law is to be enacted in Montana, it appears that Montana bankers are going to have to convey its necessity to the legislature in 1959. Further information available from Planning Board.

No Criticism Intended

None of these supplemental capital sources are mentioned to suggest that loans be made on other than sound business considerations. Neither is there any criticism intended of existing sources. Rather, it is the intent in this article to point up what appears to be a growing need in Montana—a need which has been recognized in other sections of the nation.

1956 Record Year for Montana Oil Industry

Montana Oil and Gas Conservation Commission reports 1956 was a record year for both production of crude oil and oil refining.

Over 21 million barrels of crude were produced, 39 per cent higher than 1955. Value of total production, up to \$53 million, was 50 per cent higher than in 1955, due both to increased production and an increase in average price per barrel from \$2.26 to \$2.45. Crude oil now accounts for a fourth of the value of all mineral production in Montana (second only to copper, 40 per cent).

Oil production is becoming more widespread in Montana—26 counties now have producing oil wells. About 35 per cent of the state's total area is leased.

Oil Refining Up

Oil refining increased, too. Nearly 23 million barrels of crude oil were refined in the state's 10 refineries—a rise of 8 per cent over 1955. Sixty per cent of these 23 million barrels were imported from Wyoming. Oil refining is Montana's fourth largest manufacturing enterprise in terms of Value Added by Manufacture (after lumber, food products and smelting).

Promising New Wells

Several important new discoveries were made in 1956. Amerada drilled a 2700 barrel-a-day well in Sheridan County near Outlook. Test wells are being sunk at the foot of Chief Mountain, near Glacier Park, in an effort to find another field equal to Pincher Creek field, 20 miles to the northwest in Canada. Total new reserves developed in all 64 Montana oil fields amounted to 31 million barrels, against a production of 21 million barrels. Thus we still have the condition in Montana in which nearly one and one-half barrels of new oil are being found for every one produced.

There's been a lot of talk around the state that the Williston Basin isn't panning out as it was supposed to in 1951. Several major oil companies, for instance, have consolidated their Billings exploration offices with their Denver or Tulsa regional offices. New companies are coming in, though, and these more than offset those leaving. There certainly will be no diminution of oil activity in Montana, according to James F. Neely, Executive Secretary of the Commission. In fact, May, 1957, is expected to be a record month for drilling of wells.

Oil is big business in Montana. It will probably get bigger, too.

BOARD PARTICIPATES IN FREIGHT RATE CASE

Perry Roys, director of State Planning Board, testified as a witness for Montana Railroad and Public Service Commission during the week of May 27 in a Portland freight rate hearing.

Roys' basic contentions concerning Montana were supported on lumber traffic by R. R. Veldman, traffic manager for J. Neils Lumber Co., of Libby; and by Gaylord Swenson, traffic manager for Farmer Union Central Exchange at Laurel, on petroleum products.

At issue is a request of Eastern rail carriers to obtain a greater share of the revenue obtained from cross-country hauls, many of which are of basic products of Western industry, including those from Montana. Western rail carriers are opposed, contending that any such shift in the division of revenues would require higher rates to be placed on the freight carried.

Change Detrimental to State

"We urge," Roys told the hearing, "that no change in divisions (of freight revenues between Eastern and Western roads) be made which will disturb the existing competitive relationships to the end that uncertainty and chaos in economic development is substituted for the relative stability and dependability of the state's economy . . . which have been achieved over many years of trial and adjustment."

Roys pointed out that "Concern of the State of Montana and its citizens is not for the welfare of lines operating in Montana, as such. For how the railroads of the nation divide trans-continental rates among themselves is immaterial to the vast majority. The concern is rather of maintaining existing rates and services and indeed, in many cases, to reduce rates and expand services—all to the end that the state's economic and industrial development is stimulated rather than hindered."

Copies of Roys' complete testimony, including statistical data on Montana's economy, are available from State Planning Board.

Butte Community Planning Council (T. S. Veazey, Jr., chairman) has put out a mimeographed booklet on questions and answers about the new city planning legislation passed by the 1957 legislature. Included are steps in forming city-county planning boards, what the boards can do and how effective city planning can aid a growing city. This booklet is for distribution to citizens interested in community affairs. It is clearly written.

MONTANA DATA IN IMPORTANT BOOK

A section on Montana's economy has been included in WESTERN RESOURCES HANDBOOK, according to Charles Hamman, Assistant Director of Economics Research of Stanford Research Institute.

The handbook is distributed to manufacturers and brokers on a subscription basis, and is in loose leaf form so as to allow up-to-date factual data.

SRI does contract research on many different subjects. For instance, the institute is participating in an electronic research project at Montana State College. A complete resource study of Oregon for the Oregon Development Commission was recently completed.

Assistance in preparing the Montana section in SRI's handbook was given the State Planning Board.

BRIEFS

Forsyth Chamber of Commerce has published an industrial survey, which emphasizes that the community is located near the Colstrip open pit coal-mining operation from which 42 million tons of sub-bituminous coal have been mined already with no prospect of exhaustion. This coal can be delivered at Forsyth at a cost lower than any other location in the country. Low-cost power and fuel, combined with water from the Yellowstone river, give Forsyth good possibilities for industrial development in the future.

Montana branch of Montana-Alberta Trade Council has decided to compile a listing of all products manufactured in Montana. Such a listing will be useful both for purposes of trade with Canada, and for discovering what products we could be making. State Chamber of Commerce which is coordinating the effort, has requested all local chambers to send in the required information.

"Pioneer Village" will open 5 miles east of Bozeman on July 4, according to Bernard I. Gilbertson, owner. Designed as a re-created Montana town of the 1880's, the project will be a major tourist attraction along Highway 10, Montana's most heavily traveled route. It will contain a restaurant and such authentic Old West activities as a stage coach ride.

MONTANA STATE PLANNING BOARD

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Helena, Montana

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